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AMERICAN COMMERCIAL UNION.

BY WHARTON BARKER.

THERE are times in the histories of nations when they are prone to abandon the wealth at their own feet to exploit the resources of other peoples; when, dropping thought of the possibilities of trade expansion on natural lines at their own doors, they bend their energies and make national sacrifice to extend their trade with distant countries. Around such trade, especially when won by war and bloody strife, there gathers a glamour that leads people to unduly magnify its importance, and, appealing to their commercial spirit, tempts them on to further territorial expansion as a means to trade expansion, while quite disqualifying them to stop and ask themselves if the possible profit is worth the cost of the enterprise. If they could strip the distant trade of its glamour, and dispassionately weigh it against that which has been overlooked at home, the wealth that has been cast aside undeveloped against that which has been gained from afar, I am sure they would find that they were not pursuing the direct path to their enrichment and happiness and national greatness.

Washington proclaimed the true policy for America. The Monroe Doctrine advanced that policy. Presidents McKinley and Roosevelt, unfortunately following British ideals, have put upon us the Philippines, and, in my judgment, forced the American people into a false position in the Far East. We made war upon the people of the Philippines to extend our markets for manufactured goods. We forced upon the Chinese a commercial treaty for the same purposes. We hold the Philippines as a base of operations against China and for no other purpose.

I have been in the Far East, and I believe I understand the Chinese question better than do most of my fellow citizens. We are told by those who act under impulse of the commercial spirit

that, unless we force upon the Chinese commercial treaties favorable to us, the possibilities of trade expansion in China will be closed to us. This idea is more of a bugbear than anything else. But, suppose we grant that to keep open the markets of China we must join Britain and Japan in a display of naval and military strength by sending a powerful fleet to Chinese waters, the question arises: Is it worth our while? And, as the gain to be had is purely commercial, we must consider this question in a purely commercial light. When we consider that China cannot pay in money for the foreign goods her people buy, but must pay for them with goods manufactured by her cheap labor, we must answer that the trade is not advantageous, that it is not worth having. The British Government urges the Government of the United States to foster this trade because of a desire to have the cooperation of this country in the Far East. No consideration would be given to this British desire if the Chinese conditions were understood by the President and Secretary Hay, and there is no opposition from the people of this country to the policy we are pursuing, because they are ignorant of the facts. All the trade with China that is worth having, we shall have without forcing upon the Chinese objectionable treaties. The products we can afford to sell to the Chinese they will purchase, because they need them. In my judgment, there is little to be looked for in the direction of finding increased and sustained markets for our products in China, for there is little doubt that the Chinese will supply their own needs as the consumptive power of the people grows.

So, territorial expansion or no territorial expansion, we need not count on permanently extending our exports to China. We produce nothing that China does not or cannot produce, not even petroleum; and, on her part, she can produce little that we do or may want, save silk and tea. And, as both countries are blessed with unsurpassed natural resources, the people of each country can, in the natural order of things, make that which they want at less expense than it would cost either to import from the other. Consequently, there is no room for a great and advantageous trade to spring up between them. True, because of a lower scale of living, the Chinese may produce goods for a smaller money cost than we can; but for us to purchase such goods would be simply to reduce our own people to the Chinese level; importation of such goods, therefore, we cannot permit if we would have regard to our

own interests. I may add that, not buying more largely from China, China cannot buy more largely from us.

There are countries that we may rightly expect to buy more of our products, and those are the countries which supply products of a kind we do not and cannot profitably produce and which we must therefore import; and these are countries lying in different latitudes from our own. To this requirement of different latitude, I may add the requirement of the same general longitude. This is for the reason that it is cheaper to buy from near markets than from remote markets, cheaper to buy from the West Indies lying at our doors than from the East Indies, cheaper to buy our coffee from Brazil than from Java, the tropical products we consume from Cuba than from the Philippines—and it is cheaper, however much lower may be the money cost of producing in the Philippines, in Java, in China, than in the West Indies or in South America. When natural conditions of production are equal, when the cost of producing in the West and East Indies is the same, while the cost of transportation to our markets is obviously less from the West Indies than from the East, it is to our interest to buy from our neighbors. If we buy under such conditions from the Far East, we simply waste labor in transportation; and even if we fill our needs at less money outlay we by the same act restrict the markets for our products, force down the price of what our own people make, and thus cheapen labor in our country, with the result that nothing is gained, something lost.

What we need to extend our foreign trade in profitable directions is not territorial expansion, but a Customs Union with all the American nations. Outside of trade in Manila hemp, we can only expand our trade with the Philippines at the expense of the trade which by its nature must be most advantageous to us, that is, trade with the West Indies, Mexico, Central and South-American countries; and, therefore, artificial stimulus to trade with the Philippines ought to be discontinued. We can with ease increase the consumptive power of our own people by just laws. Trade will increase greatly between American nations working under one economic system such as I suggest, and the consumptive power of all will increase as the productive power increases.

I have said that, of all our foreign trade, that which it is most worth our while to cultivate is the trade with the countries lying to the south of us. In the very nature of things this must be so,

for they are situated in different climes and their products are of different kinds from ours. Much that they produce we cannot produce. Such products we must buy or go without; and, as we have to buy them, it stands to reason that it is to our advantage to buy them from the nearest market; for, surely, it cannot be to our advantage to bring them six or ten thousand miles when they can be gotten from lands that are distant from our shores only from a few hundred to three thousand miles. The importing merchant, of course, buys where he can buy cheapest, but it is not always to the advantage of a country to buy in the cheapest markets; for buying in the cheapest markets when their wares are cheapest simply because they are made by cheapest labor, amounts to pauperizing one's self. There must be two sides to trade, a selling as well as a buying. And a buying from a land of cheapest men means a selling to such land, selling upon such cheap-men basis. If we buy the greater share of our imports of tropical goods from the East Indies, we must buy a lesser share from the West Indies and South America. And if we buy less from Cuba, Porto Rico and South America, there must come a piling up of products in those countries seeking for an outlet, a consequent fall in prices and a general impoverishment of the peoples of those countries. Receiving smaller returns for their products, their demands for our products must be restricted. Consequently, a natural outlet for the products of our farms and factories would be curtailed, and an increase in outlet to a like extent cannot be hoped for among the poorer peoples of the Far East. So our products would pile up on our markets, and the resulting pressure for sale would force down prices here at home. At last, at some reduced price level, a market would be found, but in finding such market, we would pauperize our own people.

The shorter the distance that we have to bring foreign purchases, the smaller will be the cost of transportation; and, hence, the nearer will our people come in that case, as consumers, to getting such products at the prices the producers receive. It is for this very reason that the home market is preferable to a foreign market, that it is to our advantage to buy what we can of ourselves. To avail ourselves of the cheapness of foreign goods, when such cheapness is the result of cheap labor, is but to entail loss upon ourselves. When any other people have a natural advantage over us, in the production of some article, more than equal to the cost of

transportation, it is of course to our advantage to buy that article in that foreign market, not to keep it out by tariff duties and strive to produce it ourselves. When there are several lands equally enjoying such natural advantage over us, then it is manifestly to our advantage to buy in the nearest of these lands. Now, nearly all the products that we cannot now produce on terms of equality with all the world, so far as natural conditions favorable to production are concerned, are tropical products; and they are, moreover, products for the production of which the conditions are as favorable in the countries lying to the south of us as anywhere on the globe; consequently, from these countries, as the nearest to us, we should buy. Further, there are many things which we produce but which tropical countries cannot produce to advantage. It is to their advantage, therefore, to buy such products from us in exchange for the peculiar products of the tropics.

Accordingly, between the United States and the countries and islands to the south there exist all the elements for a mutually advantageous trade, a trade more advantageous for all than any other foreign trade can possibly be to any of them. Therefore, we should encourage this trade to the extent of establishing a Commercial Union that would secure absolute free trade between all the countries of the Western Hemisphere and give a common tariff to all. Of course, such extension of a common tariff would greatly derange the revenue systems of all the countries concerned, and oblige them all to look up new sources of revenue. But I would have no regrets, and I would be pleased to see a system of direct taxation established, a system that would tax property and not men. Tariffs, being levied on consumption, partake of the nature of *per capita* taxes, and as such are inequitable. If duties are imposed for the protection of home industries, and not for revenue, they should be made so high that imports would not be possible and, of course, no revenue result. There would be needed an International American Bank, or a system of banks, to be operated under an American Commercial Union, to reduce the cost of exchanges. It should be remembered, however, that it is trade that makes exchange, that it is the export of merchandise that enables the producers of one country to draw upon the people of other countries. They can draw only for so much as they may sell their goods for. An International American Bank should have its main offices in New York, and branches

in other cities of the United States, and in cities of all the countries to the south of us, within the American Zollverein.

But this is not the place to discuss a bank and its functions, or a tax system. Nothing will free the people of the Western Hemisphere from a certain dependence upon Great Britain and Germany except a common economic policy. As long as we import from the countries to the south of us more than we export to them; so long as we export to Great Britain more than we import therefrom; so long as London runs up debt against South America faster than South America through exportation of her products to Great Britain runs up an offset; just so long must we buy exchange on London to make payments in South America. The present annual balance of trade between South America and the United States is about \$110,000,000 against the United States. The people of all the Americas should wake up to the disadvantage of triangular exchange, they should see that Great Britain and Germany profit greatly, they should see what saving would result from direct trade. Under an American Commercial Union, American ships would have an advantage over British and German ships, because the American trade would be secured to ships under the flags of the nations in the Union. The commercial advantages to the people of the United States from an American Commercial Union would be no greater than would be the commercial advantages to the people of the countries to the south of us; and the political advantages to the Central and South-American nations would be great, for they would be saved from the aggressions of Great Britain and Germany, often the busy-bodies who stir up rebellion in the South-American states. Such a Commercial Union as I propose does not contemplate a political union. In fact, I consider that political union would be both unwise and impossible.

Men who give only little attention to the study of public questions and those who live only in the present will, of course, declare that such a Customs Union is Utopian, and as such hardly worth serious consideration. The Cuban situation, however, makes it a live question; and America cannot, without permanent loss, set aside the opportunity to declare a general commercial policy, that would be as permanent and as far-reaching as the political policy known as the Monroe Doctrine. Unless this great step is taken at this time, the United States must soon meet Brit-

ish and German aggression with naval and military force, or give up the great position heretofore held in American affairs.

Into such union I would gladly welcome the Dominion of Canada. I will begin discussion of Canadian relations by quotations from letters exchanged between Sir Wilfrid Laurier and myself in October last. On the 9th of that month I wrote to the Canadian Premier:

"You probably remember that in 1879--1880, when Canada pressed a Reciprocity Treaty upon the United States, not discouraged by the lot of the treaty submitted by General Grant to the Senate, the policy was opposed, and no doubt defeated, by those in this country who believed Commercial Union the only proper solution of the Canadian-American trade question. I assume you know that General Garfield was committed to a broad policy of American Commercial Union, and that I had brought him to this view. In those days, Sir John Macdonald on the one side and Mr. Mackenzie on the other, in the Canadian Parliament, and many other Canadians, had correspondence with me. The purpose of this letter is to learn, as far as it is proper for me to learn, from you, whether Canada would look with favor upon a proposal from the United States for the establishment of a permanent Commercial Union,—common tariff against outside countries and absolute free trade within the Union,—the customs revenue to be divided in an equitable way. I am of the opinion the United States should, now, I may say must now, offer such a union, economic of course only and not political, to Canada, to Cuba, to Mexico and to all other American nations, and I propose to present the situation in some public way, and to force the proposal upon Congress and the country before the next Presidential election."

To this Sir Wilfrid Laurier answered on October 13th:

"I have the honor to acknowledge the receipt of your favor of the 9th instant. In my estimation, a movement, such as you suggest, would not meet with any favor in Canada and, personally, I would be opposed to it. You are aware that the Liberal party, some few years ago, carried on a campaign in favor of a policy of unrestricted reciprocity between Canada and the United States. You are likewise aware that our efforts in that direction were received with no sympathy in your country. For my part, I valued very highly the importance of the American market for Canadian products; but, failing to make an impression in that quarter, we directed our efforts elsewhere, and I am glad to say that they have been successful beyond all expectations. That movement in favor of unrestricted reciprocity had its '*raison d'être*' some twelve years ago; in the present conditions of our trade, its '*raison d'être*' has ceased to exist."

So, it appears, the Laurier Government will oppose Commercial Union of Canada and the United States, and wait for relief from

a position of isolation for the creation of the Chamberlain British Empire Zollverein. I quote from a distinguished Canadian Liberal who writes me under date of October 14th last, that the other side of the question may be heard. He says:

"You are right in saying that the question of commercial relations, which we used to discuss years ago, has now become practical, thanks to Joe Chamberlain, who, I expect, will find that he has set more things going than he intended. Now, if ever, is the time for action, and I am glad to hear that you are going to take up your pen again. Here we have not got beyond reciprocity between Canada and the United States. We have elements of course opposed to Reciprocity here—our protected manufacturers, our violent anti-American party which cherishes the traditions of the U. E. Loyalists, and politicians who in Reciprocity or Commercial Union see danger to their political separatism, though nothing of the kind followed on the Elgin Reciprocity Treaty. So far as the Canadian people are concerned, we feel pretty confident that a fair and liberal proposal would make its way."

The question of our commercial relations with the Dominion of Canada has long been troublesome, and often one of serious danger. I opposed ratification of the Grant Treaty of Reciprocity in 1874, and worked against all similar treaties that have been proposed; and, during these thirty years, I have urged Commercial Union upon both the Washington and Ottawa Governments as the only proper solution of the question. From the standpoint of the protectionist, there is no reason for the imposition of tariff duties on importations from Canada into the United States. The situation would be mutually advantageous, if there were no customs line to hinder the interchange of commodities between the two countries. Both peoples would gain from such interchange, and gain equally as buyers and as sellers. Some will ask, Why make a permanent Commercial Union, why not make a reciprocity treaty binding for ten years, and thus see how the arrangement works? One reason is that reciprocity, as suggested time and again for thirty years, rests on the idea that in the exchange of commodities it is the seller alone who profits; that, consequently, the interests of buyer and seller are not mutual; that by increasing our purchases from Canada we must lose, and that by increasing our sales we must gain; that, *per se*, the interests of Canada are just the opposite of ours; and that, therefore, a reciprocity treaty must be the result of a dicker, in which each

party thereto strives to get, and believes it has got, the best of the other, gained more by extending the markets for its goods than it has lost by opening its own markets. Clearly, a reciprocity arrangement approached upon this mistaken basis cannot be mutually satisfactory. If it works as expected, evidently one people must lose what the other gains; and in such trade there is obviously no net gain, no profit in the exchange of commodities, and it would be better if such exchange did not take place. Therefore, I have no patience with those who put forth so-called reciprocity propositions which are urged in the belief that, by the acceptance of such propositions, they would get the best of their neighbors, but which can only find acceptance if those neighbors are under the contrary belief. There is only one true way for a country to get rich and prosper, and that is by producing wealth, not by getting the best of its neighbors in trade. Yet the latter notion is held by most of the advocates of Canadian reciprocity, and it is with that absurd idea that they approach the building of a reciprocity treaty. It is petty treatment of great interests. The truth is, the people of the United States and the people of Canada have much to gain by buying and selling more extensively from and to each other, and nothing to lose; therefore, the customs line between them should be abolished at once. This is also true of the relations of the peoples of Canada and of Cuba; so the way is open for a Commercial Union between the three countries,—the United States, the Dominion of Canada, and Cuba.

Congress should prepare a plan for such an American Commercial Union as I suggest, and submit it to the people of the United States for ratification at the next general election. When approved by the vote of the people of the United States, the proposal should be made in formal way to Cuba, to the Dominion of Canada, and to other American nations.

It is not out of order for me to say that President Hayes and I talked often and earnestly of Commercial Union of all the Americas, and that, after the return of the special Commission he sent to South America, he was a believer in this policy. He gave support to those who urged and brought about the nomination of General Garfield for President, largely because he knew that General Garfield was committed to the settlement of all questions in dispute between the United States and the Dominion of Canada by the establishment of a Commercial Union between the two

countries, common tariff against all nations outside the Union, free trade between the two countries and fair distribution of the customs revenues between them. The letter I quote from him is evidence that he held this view as late as April, 1887. He held it at the time of his death.

“FREMONT, OHIO, 12th April, 1887.

“*Mr. Wharton Barker,*

“MY DEAR SIR,—Thanks for the Canadian article. Looking forward with confidence to the unification of all English-speaking people on this continent under one government, my opinions on all measures touching Canadian affairs are formed with respect to their bearing on this result. I hope to meet you. With all respect,

“Sincerely,

“R. B. HAYES.”

It is not necessary for me to discuss now my part in the nomination and election of General Garfield to the Presidency in 1880, but I may quote from an article on “Commercial Union,” which appeared in “The Fortnightly Review” of May, 1881:

“Mr. George Anderson, M. P., stated in an article contributed to the ‘Contemporary Review’ a few months ago, that he had been informed on reliable authority that certain American statesmen of no mean influence were about to move in the matter of Canada, and to make it a paramount feature in the policy of the Garfield Administration. Mr. Anderson further stated that he had before him two published letters, written by Mr. Wharton Barker, an eminent banker and politician in Philadelphia, the chief supporter of Mr. Garfield as President, one of which was addressed to Mr. Garfield prior to his election, and the other to the late Senator Brown, of Toronto. The subject of these letters was what has been termed Commercial Union between the United States and Canada.”

General Garfield and Mr. Blaine, after brief discussion in April, 1881, decided to advocate Commercial Union of all the American Nations and American Dependencies of European Nations. If General Garfield had lived, a great policy of American Commercial Union would, I am sure, have been established twenty years ago, and the position of America would be much stronger now than it is. Mr. Blaine hesitated, after the death of General Garfield, to urge the larger policy, and fell back upon a demand for reciprocal trade set up through reciprocity treaties.

WHARTON BARKER.